

HEARING DATE AND TIME: July 21, 2011 at 10:00 a.m. (Eastern Time)
RESPONSE DEADLINE: July 7, 2011 at 4:00 p.m. (Eastern Time)

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**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

In re

LEHMAN BROTHERS HOLDINGS INC., *et al.*,

Debtors.

CHAPTER 11

CASE NO. 08-13555 (JMP)

(Jointly Administered)

**RESPONSE OF U.S. BANK NATIONAL ASSOCIATION, AS TRUSTEE, TO THE
DEBTORS' ONE HUNDRED FORTY THIRD OMNIBUS OBJECTION TO CLAIMS**

TO THE HONORABLE JAMES M. PECK
UNITED STATES BANKRUPTCY JUDGE:

NOW COMES U.S. Bank National Association, not individually but as Trustee (“U.S. Bank” or the “Trustee”), by and through its counsel, Chapman and Cutler LLP, to respond (the “Response”) to the Debtors’ One Hundred Forty Third Omnibus Objection to

Claims (Late Filed Claims) (the “*Objection*”). In support of its Response, the Trustee states as follows:¹

RESPONSE

U.S. Bank serves as Indenture Trustee under the terms of a large number of Indentures for indebtedness issued by municipal issuers. In many cases the Indentures require that the municipal issuer create a debt service reserve fund for purposes of providing a means for paying interest on the indebtedness should the issuer fail to make the payment of interest when due. In some cases, the Trustee on behalf of the municipal issuer invested these reserve funds by entering into a Reserve Funding Agreement (“RFA”) with Lehman Brothers Special Financing Inc. (“LBSF”), one of the Debtors in the above captioned cases. Under the terms of some of these agreements, LBSF guaranteed the reserve fund a certain rate of return in exchange for the right to invest the funds in the reserve account in certain Qualified Securities (as defined in the relevant RFA). Any yield LBSF achieved over the guaranteed rate inured to LBSF’s benefit.

Some of these agreements were “out of the money” to Lehman, meaning the guaranteed rate under the RFA exceeded what the expected return was for investing the funds in Qualified Securities. On September 7, 2010, the Debtors filed their Motion For Authorization To Reject Certain Executory Contracts (Docket No. 11201) seeking to reject approximately 50 Reserve Fund Agreements in order to permit LBSF to fix its liability for its obligation to pay the guaranteed rate under the respective contract. On September 27, 2010, this Court entered its Order Granting Motion for Authorization to Reject Certain Executory Contracts (Docket No. 11651) (the “*Rejection Order*”), granting the relief requested by the Debtors, and permitting counterparty’s to the RFAs to file a proofs of claim for damages resulting from the rejection of the relevant RFA. On October 27, 2010, in compliance with the terms of the Rejection Order,

¹ Capitalized terms not defined herein shall have the meaning ascribed to them in the Objection.

U.S. Bank filed a number of proofs of claim for rejection damages under the RFAs, including, but not limited to, Claim Numbers 67150, 67151, 67152 and 67153². As a result, these claims were in fact filed in a timely manner and any objection seeking to expunge such claims as time barred should be denied.

WHEREFORE, for all of the foregoing reasons, U.S. Bank, as Trustee, respectfully requests that this Court deny the relief requested in the Objection with respect to Claim Numbers 67150, 67151, 67152 and 67153.

Dated: July 7, 2011

Respectfully submitted,

U.S. BANK NATIONAL ASSOCIATION, not
individually but as Trustee

By:/s/ Franklin H. Top, III _____

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² Some of these claims may be duplicative of other claims filed by U.S. Bank as Trustee on or prior to the September 22, 2009 bar date. U.S. Bank will work with the Debtors to resolve any duplication in claims.